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United States Attorney's Office
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News Release

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Jury finds Beale guilty on tax evasion charges

Robert B. Beale, the founder and former chief executive officer of the Control Corp. of Maple Grove, was convicted today in federal court on tax evasion charges, following an eight-day trial.

After less than two hours of deliberation, a jury convicted Beale, 65, North Oaks, of one count of felony conspiracy to defraud the United States, five counts of tax evasion for failing to pay any personal income tax on more than \$5.1 million in income and one count of failing to appear in federal court.

"We are pleased with today's verdict," said Acting U.S. Attorney Frank J. Magill. "Mr. Beale attempted to evade his responsibility and conspired to cheat the system. Tax evasion is a serious crime and our office will aggressively prosecute such cases."

Beale, who represented himself in court, was indicted in January 2006, and was arrested on Jan. 11, 2006. He made an initial appearance in U.S. District Court. Following the hearing, Beale was released on the condition that he surrender his passport and not convey any of his real property.

A warrant was issued for his arrest after he failed to appear for the start of his tax evasion trial on Aug. 14, 2006. He was captured by U.S. Marshals on Nov. 1, 2007, in Orlando, Fla.

Beale, with the assistance of Lee Stagni, the former president of Control, engaged in a concerted effort to conceal and disguise Beale's salary from the Internal Revenue Service and from the Minnesota Department of Revenue. Control is a computer parts firm, which has continued in business under new ownership. Stagni was convicted in September 2006 and sentenced to 43 months in prison.

Prior to July 2000, Beale was paid as an employee of Control using an automated payroll system, with standard withholdings for state and federal taxes. In July 2000, although his duties

at Control had not changed, Beale directed the company's payroll department to change his employment designation from "employee" to "consultant."

Beale began submitting invoices to Control for his salary under the name of the Chayil Corp., a shell corporation which served no purpose other than as a pass-through entity for concealing Beale's income from the IRS. From 2000 to September 2004, Control failed to report to the IRS more than \$5.1 million in income paid to Beale. Beale never personally reported the income, and never filed a tax return or paid any income taxes on the money.

Beale faces a potential maximum penalty of five years in prison on each count of his indictment. U.S. District Court Judge Ann Montgomery will determine Beale's sentence at a future date.

This case is the result of an investigation by the IRS-Criminal Investigation Division, with assistance from the U.S. Marshals Service, and is being prosecuted by Assistant U.S. Attorneys Tim Rank and Michael L. Cheever.